

Message Text

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ACTION EUR-12

INFO OCT-01 EA-07 ISO-00 AID-05 CEA-01 CIAE-00 COME-00

EB-07 FRB-03 INR-07 NSAE-00 CIEP-01 SP-02 STR-04

TRSE-00 LAB-04 SIL-01 SAM-01 OMB-01 IO-10 NEA-10

OPIC-03 L-03 PA-01 PRS-01 USIA-06 H-02 /093 W

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FM USMISSION EC BRUSSELS

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INFO ALL EC CAPITALS 1312

AMEMBASSY MADRID

AMEMBASSY TOKYO

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E.O. 11652: N/A

TAGS: EIND, ETRD, EC

SUBJECT: CONVERSATIONS RELATED TO THE UPCOMING OECD STEEL
CONSULTATIONS, NOV 13-14

REF: A. TOKYO 15110, B. EC BRUSSELS 9271, C. STATE 260106

1. SUMMARY. EC COMMISSION AND JAPANESE MISSION OFFICIALS
HAVE SAID THEY HAD NO KNOWLEDGE OF REPORTED COMMITMENT BY
JAPANESE STEEL MAKERS TO EC STEEL INDUSTRY TO HOLD DOWN
SHIPMENTS TO THE EC DURING THE FIRST HALF OF 1976. OFFICIALS
FROM THE SPANISH MISSION TOLD US THAT THEY DID NOT LIKE THE
IDEA OF SELF-RESTRAINT ON QUANTITY AND PRICE OF STEEL
EXPORTS TO THE EC AS THE EC MAY ASK FOR IN THE OECD BUT
WOULD NEVERTHELESS GO ALONG IF OTHER NON-EC OECD COUNTRIES
AGREED. END SUMMARY.

2. ON NOV 10 WE CALLED EC COMMISSION STEEL DIRECTOR PETRICK'S
ATTENTION TO AN ARTICLE IN THE ECONOMIST OF NOV 8 REPORTING
THAT THE FIVE LARGEST JAPANESE STEELMAKERS AT THE MEETING OF
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THE INTERNATIONAL IRON AND STEEL INSTITUTE IN MEXICO CITY

IN OCT HAD AGREED NOT TO SEND MORE THAN 400,000 TONS OF STEEL TO THE EC DURING THE FIRST HALF OF 1976 AND TO STICK TO MINIMUM STEEL PRICES THAT MIGHT BE SET BY THE EC COMMISSION. PETRICK SAID THAT HE HAD NO INFORMATION THAT SUCH AN AGREEMENT HAD BEEN REACHED BETWEEN THE EC AND JAPANESE STEEL INDUSTRY AND DOUBTED THE ACCURACY OF THE ARTICLE. PETRICK SAID IN PASSING THAT HE UNDERSTOOD THAT THE JAPANESE HAD ALREADY CUT BACK ON STEEL DELIVERIES TO THE US, IMPLYING THAT THERE WAS THEREFORE NO CAUSE FOR THE EC TO BE EMBARRASSED BY REQUESTS FOR SIMILAR JAPANESE RESTRAINT ON ITS BEHALF.

3. ON NOV 12 AN OFFICIAL IN THE JAPANESE MISSION TOLD US THAT HE HAD NO INFORMATION REGARDING THE ALLEGED DEAL BETWEEN THE JAPANESE AND EUROPEAN STEEL INDUSTRIES. HE NOTED THAT IF THERE WERE SUCH ARRANGEMENTS THE JAPANESE INDUSTRY WOULD HAVE TO OBTAIN THE AGREEMENT OF THE JAPANESE GOVERNMENT.

4. ANOTHER EC COMMISSION STEEL OFFICIAL TOLD US ON NOV 11 THAT THE SITUATION FOR THE EC STEEL INDUSTRY HAS IMPROVED SLIGHTLY IN THE LAST MONTH. DEMAND HAS STRENGTHENED A BIT AND PRICES HAVE EDGED SLIGHTLY UPWARD ON BOTH THE INTERNAL AND FOREIGN MARKETS. HOWEVER, THE INDUSTRY STILL CLAIMS IT IS LOSING \$35-50 PER TON AND WOULD LIKE TO SEE HIGHER PRICES TO COVER ITS COSTS AND DEBT OVERHEAD. THE PROBLEM ON THE PRICE SIDE IS THAT ALTHOUGH IMPORT QUANTITIES ARE SMALL, STEEL DEALERS AND INTERMEDIARIES ARE QUOTING JUST UNDER EC PRICES FOR IMPORTED STEEL AND DESTABILIZING THE MARKET. HE SAID TO STOP THIS THE COMMISSION WILL BE ASKING ITS PARTNERS AT THE OECD FOR UNDERSTANDING FOR THE EC SITUATION AND RESTRAINT IN LINE WITH EC EFFORTS TO CORRECT THE SITUATION. HE IMPLIED THAT CONTROLS ON INTERNAL PRICES COULD FOLLOW.

5. THE DCM AT THE SPANISH MISSION (FOURNIER-BERMEJO) AND THE INDUSTRIAL COUNSELOR (DAL-RE) CALLED ON THE CHARGE ON NOV 11 IN ORDER TO LEARN WHAT POSITION THE US WOULD BE TAKING IN THE OECD CONSULTATIONS. WE RESPONDED ALONG THE LINES OF REFTTEL C NOTING THAT OUR DELEGATION WOULD PARTICIPATE IN THE EXCHANGE OF VIEWS ON THE SITUATION BUT THAT WE HAD NO SPECIFIC PROPOSALS TO SUGGEST. SPAIN'S POSITION IS THAT IT IS NOT IN FAVOR OF ANY SELF LIMITATION MEASURE BUT THAT IT WOULD ACCEPT SUCH LIMITED OFFICIAL USE

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MEASURES IF THEY WERE FAVORED BY ALL OECD COUNTRIES. SPAIN WILL ARGUE THAT ALTHOUGH SPANISH EXPORTS TO THE EC MAY HAVE INCREASED BY 18 PERCENT DURING THE FIRST HALF OF 1976, OVERALL SPANISH STEEL IMPORTS INCREASED BY 100 PERCENT. HE SAID THAT IF SPANISH STEEL PRODUCTION IS DOWN ONLY 1 PERCENT FROM 1974 LEVELS IT IS BECAUSE THE RECESSION HAS HIT THE SPANISH STEEL INDUSTRY LATER THAN THAT OF THE EC. AS THE SITUATION IS DETERIORATING IN THE SPANISH MARKET, SPAIN IS RELUCTANT TO LIMIT EXPORTS AND

COMPOUND THE PROBLEMS OF ITS INDUSTRY. WE WERE ALSO TOLD THAT
ALTHOUGH THE SPANISH GOVERNMENT HAD THE AUTHORITY TO SET
MINIMUM PRICES IN EXPORT LICENSES SUCH CONTROLS COULD BE
CIRCUMVENTED BY EXPORTERS. GREENWALD

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